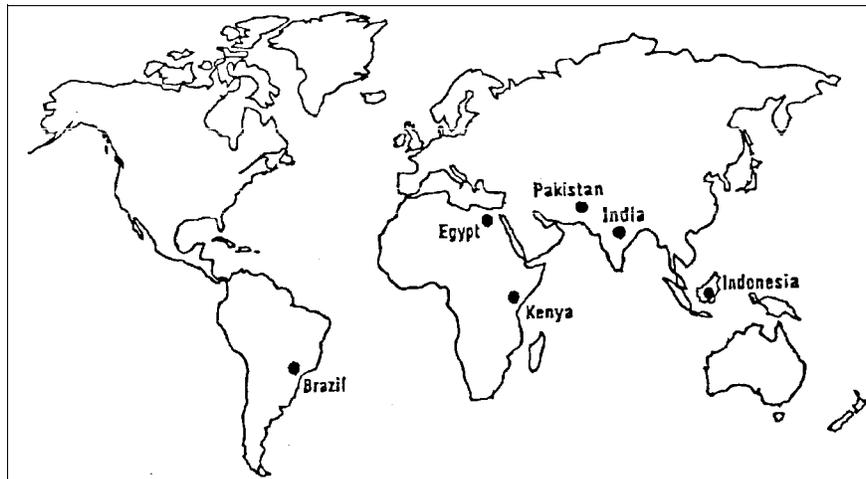


LIBRARY OF CONGRESS

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

FINANCIAL STATEMENTS FOR FISCAL YEAR 1999



Washington, DC
April 2000

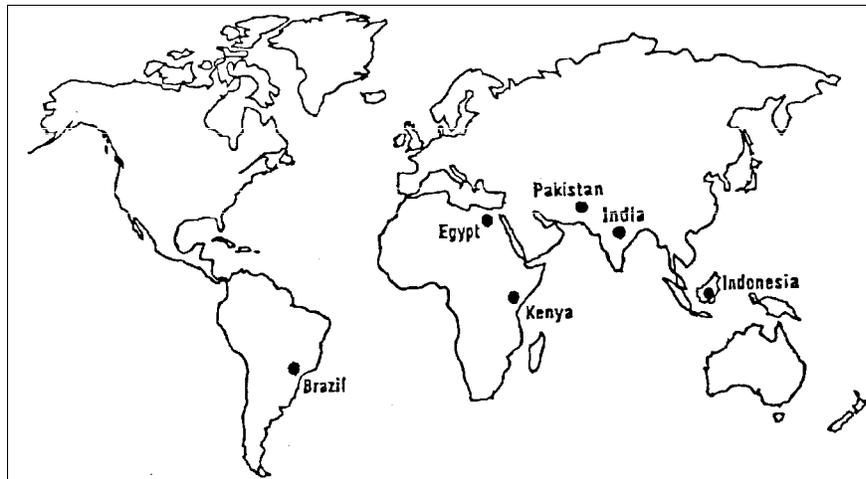
COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

FINANCIAL STATEMENTS FOR FISCAL YEAR 1999

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MANAGEMENT S DISCUSSION AND ANALYSIS



**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND
FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1999**

MANAGEMENT S DISCUSSION AND ANALYSIS

MISSION AND OVERVIEW

The mission of the Library of Congress Cooperative Acquisitions Program is to support advanced research and study about all aspects of the less-developed areas of the world, through the acquisition and distribution of primary research materials published in more than 40 developing nations. These materials are not otherwise reliably available in the United States. Because of nearly forty years of participation in this program, the research libraries of the nation's most prestigious universities have developed unequalled collections which support advanced research about the developing world. In fiscal year 1999, the Library supplied more than 400,000 individual publications to more than 90 U.S. institutions of higher learning and academic institutions abroad.

HISTORY

In 1958, Congress approved Public Law 83-480, Section 104n, which amended the Agricultural Trade Development and Assistance Act of 1954 (popularly known as Public Law 480) and authorized the Librarian of Congress to use foreign currencies that accrued to the government in connection with the sales of agricultural commodities to finance "the acquisition of books, periodicals, and other materials...of cultural or educational significance...and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate."

This amendment led to the formation of the Library's overseas offices and Cooperative Acquisitions Programs. The overseas offices were created due to the ineffectiveness of conventional international commercial methods in acquiring books and other research materials from less-developed countries. Because of the lack of established publishing industries or international vendors, poor book distribution systems, and the political and economic instability of the nations of the developing world, a local presence is the only effective way to acquire the needed primary source materials.

In 1962, the Library opened the New Delhi Office, and by 1964 had opened offices in Karachi, Pakistan; Dacca, Pakistan (now Bangladesh); Cairo, Egypt; Tel Aviv, Israel; and Jakarta, Indonesia. In 1965, Congress expanded the Library's overseas offices through Public Law 89-329, the Higher Education Act of 1965, Title II-C, known as the National Program for Acquisitions and Cataloging (NPAC).

Between 1962 and 1986 twenty-three overseas offices were funded for operations; all but six were closed when no longer needed. Since 1987, the Library has operated six overseas offices—in New Delhi, India; Cairo, Egypt; Rio de Janeiro, Brazil; Jakarta, Indonesia; Nairobi, Kenya; and Islamabad, Pakistan.

These six overseas offices are responsible for acquiring materials for the Library of Congress collections and, on a cost recovery basis, for the participants in the Cooperative Acquisitions Program. The offices are under the administrative control of the Library’s African/Asian Acquisitions and Overseas Operations Division.

OVERVIEW OF FINANCIAL STATEMENTS

Fiscal year 1999 is the second year of operation for the Cooperative Acquisitions Program Revolving Fund (CAPRF). Section 207 of the Legislative Branch Appropriations for fiscal year 1998 (P.L. 105-55) established CAPRF from the existing balances in the gift fund program, and mandated that the Library submit an annual audited financial statement for the revolving fund. CAPRF is authorized to acquire foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. In accordance with Federal accounting standards, the Library has prepared a Balance Sheet, Statement of Net Costs, Statement of Changes in Net Position, and a Statement of Budgetary Resources for CAPRF.

Balance Sheet

The purpose of the balance sheet is to provide financial statement users with information about CAPRF’s assets, liabilities, and net position as of September 30, 1999. CAPRF’s Net Position consists of the funds approved in Public Law 105-55 to initially capitalize the fund and the net results of operations through September 30, 1999.

Assets		Liabilities and Net Position	
Intragovernmental	\$ 2,555,985	Intragovernmental Liabilities	\$ 127,871
		Other Liabilities	1,723,869
Other	418,090	Net Position	1,122,335
Total Assets	\$ 2,974,075	Total Liabilities and Net Position	\$ 2,974,075

CAPRF's assets total just under three million dollars, with the Fund Balance with the Department of the Treasury (\$2.5 million) as the major item. CAPRF's liabilities total \$1.9 million, which consists of accounts payable (\$0.2 million) and the advances received from the program participants (\$1.5 million that would be refunded to participants upon program termination and \$0.2 million that would not be refunded upon program termination).

Statement of Net Costs

The purpose of the Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for CAPRF for the fiscal year ended September 30, 1999. In other words, the statement presents the net costs of the program -- \$0.4 million. As cited in Public Law 105-55, CAPRF recovers its full costs over a reasonable period of time. Net costs of \$0.4 million consists of \$0.1 million that was funded by an imputed financing source, \$0.1 million that are one-time charges pertaining to the start-up of CAPRF and \$0.2 million of timing differences in the calculations for the cost recovery model, which should be recovered in future periods.

Statement of Changes in Net Position

The purpose of the Statement of Changes in Net Position is to provide financial statement users with information about CAPRF's financing sources and the components of the changes in net position. CAPRF's financing sources totaled \$0.1 million for the year ended September 30, 1999. This amount was an imputed financing source, which represents overhead costs of the Library for the Cooperative Acquisitions Program that was not funded by CAPRF. This disparity is caused by the Library's usage of differing allocation methods for financial statements and cost recovery. CAPRF's net position is \$1.1 million as of September 30, 1999. This amount results from the financing sources (\$0.1 million) and beginning cumulative results of operations (\$1.4 million) being netted against the net costs of the program (\$0.4 million).

Statement of Budgetary Resources

The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally the Outlays section presents the total outlays of CAPRF and reconciles obligations incurred to total outlays.

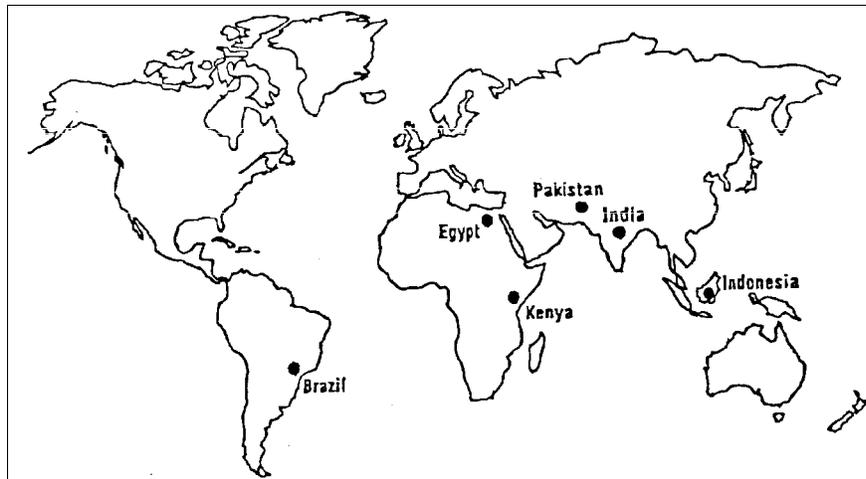
CAPRF's budgetary resources were \$4.9 million, of which \$2.2 million was the unused balance from fiscal year 1998 and \$2.7 million was obtained from the participants in fiscal 1999.

Total outlays of negative \$0.1 million was a result of incoming amount from participants (\$2.7 million) exceeding the outlay of funds for the programs activities (\$2.6 million).

LIMITATIONS OF THE FINANCIAL STATEMENTS

CAPRF's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the CAPRF, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While the statements have been prepared from the books and records of the Library of Congress, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that obligations and subsequent liabilities cannot be incurred without legislation that provides authority to do so.

FINANCIAL STATEMENTS AND NOTES



COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Balance Sheet

As of September 30, 1999

ASSETS

Entity Assets:

Intragovernmental Assets

Fund Balance with Treasury (Note 2) \$ 2,536,830

Accounts Receivable, Net (Note 3) 19,155

Cash and Other Monetary Assets (Note 4) 381,557

Inventory and Related Property (Note 5) 11,703

Property and Equipment, Net (Note 6) 24,830

Total Assets \$ 2,974,075

LIABILITIES

Intragovernmental liabilities

Accounts Payable (Note 7) \$ 127,871

Advances from Others (Note 8) 1,505,166

Accounts Payable (Note 7) 28,427

Other Liabilities (Note 9) 190,276

Total Liabilities \$ 1,851,740

NET POSITION

Cumulative Results of Operations 1,122,335

Total Liabilities and Net Position \$ 2,974,075

The accompanying notes are an integral part of these financial statements.

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Net Costs

For the Fiscal Year Ended September 30, 1999

Net Costs by Program Area:

Cooperative Acquisitions Program:

Program Costs	\$ 2,298,249
Less Earned Revenue	<u>(1,866,710)</u>
Net Costs of Operations	<u>\$ 431,539</u>

The accompanying notes are an integral part of these financial statements.

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 1999

Net Costs of Operations	\$ (431,539)
Financing Sources (Other than Exchange Revenue)	
Imputed Financing (Note 12)	\$ <u>86,275</u>
Total Financing Sources	<u>86,275</u>
Change in Net Position	(345,264)
Net Position, Beginning	<u>1,467,599</u>
Net Position, Ending	<u><u>\$ 1,122,335</u></u>

The accompanying notes are an integral part of these financial statements.

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 1999

Budgetary Resources

Unobligated Balance-Beginning of Period	\$ 2,261,184	
Spending Authority from Offsetting Collections	<u>2,660,043</u>	
Total Budgetary Resources		<u>\$ 4,921,227</u>

Status of Budgetary Resources

Obligations Incurred, New	\$ 2,547,428	
Unobligated Balance - Available	<u>2,373,799</u>	
Total, Status of Budgetary Resources		<u>\$ 4,921,227</u>

Outlays

Obligations Incurred, New	\$ 2,547,428	
Less: Spending Authority from Offsetting Collections	<u>(2,660,043)</u>	
Subtotal	(112,615)	
Obligated Balance, net- Beginning Balance	583,336	
Less: Obligated Balance, net- End of Period	<u>(617,633)</u>	
Total Outlays		<u>\$ (146,912)</u>

The accompanying notes are an integral part of these financial statements.

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Cooperative Acquisitions Program Revolving Fund (CAPRF) was authorized by Public Law 105-55 on October 7, 1997. The Library of Congress (the Library) operates CAPRF on a cost-recovery basis to acquire foreign publications and research materials for participating institutions. The operations of CAPRF are managed by the African/Asian Acquisitions and Overseas Operations Division (AfA/OVOP). Fees charged to the participants are set and approved by the Library to recover the full direct and indirect costs of the program incurred by the Library over a reasonable period of time.

The institutions that participate in the program constitute more than 90 academic libraries. The program is managed by six overseas field offices: Jakarta (Indonesia), Nairobi (Kenya), Cairo (Egypt), Rio De Janeiro (Brazil), New Delhi (India), and Islamabad (Pakistan).

B. Basis of Presentation

The accompanying financial statements and schedules report the financial position, operations, changes in net position, and the budgetary resources of CAPRF for fiscal year 1999. These statements and schedules include amounts of all funds designated by law and managed for the purpose of CAPRF. The statements were prepared from the Library's financial management system in accordance with the form and content for entity financial statements specified by the Library's financial management regulations and directives and the accounting policies summarized in this note.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the new standards now being developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the executive branch reporting requirements in a manner consistent with a legislative agency.

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds.

Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued, and the three sponsoring organizations have approved, a comprehensive set of accounting standards which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accepted accounting principles:

- Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and published by OMB and the General Accounting Office;
- Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;
- Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;
- Library of Congress Regulations and Financial Services Directives; and
- Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy and (2) if the use of such accounting standards improve meaningfulness of the financial statements.

D. Financing

CAPRF is credited with advances and amounts received as payment for purchases under the program and for services and supplies furnished to program participants. For accounting and reporting purposes, AfA/OVOP management has segmented the Cooperative Acquisitions Program into six field offices.

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with Federal accounting standards, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expense during the reporting period. Actual results may differ from these estimates.

Note 2. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents CAPRF's obligated and unobligated balances which are as follows:

Obligated	\$ 407,286
Unobligated	<u>2,129,544</u>
Fund Balance with Treasury	<u>\$2,536,830</u>

Note 3. Accounts Receivable, Net

Intragovernmental accounts receivable represent amounts due from the appropriated fund for amounts originally charged against CAPRF. Net and gross amounts are equal because no bad debt expense is expected.

Note 4. Cash and Other Monetary Assets

Cash represents CAPRF cash on hand that was not deposited with the United States Treasury as of September 30, 1999.

Note 5. Inventory and Related Property

CAPRF inventories are primarily comprised of postage that will be consumed in future operations.

Note 6. Property and Equipment, Net

CAPRF capitalizes furniture and equipment if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives of 3 to 10 years and salvage value of zero.

CAPRF currently has one asset (truck), which cost \$37,245 and was depreciated \$12,415 in fiscal year 1999. The net book value of the asset as of September 30, 1999 is \$24,830.

Note 7. Accounts Payable

The Intragovernmental accounts payable amount represents accrued payments to the U.S. Department of State for administrative support costs. The non-governmental accounts payable amount represents accrued operating expenses of the program, such as payments to vendors for materials and services.

Note 8. Advances from Others

This unearned revenue account represents current liabilities for funds collected in advance from the program participants. These collections are for direct expenses, such as the cost of materials acquired on the participants' behalf. These funds are available for obligation upon receipt of the advance. The advances are accompanied by an order profile from the participating institution. If a program participant cancels an order, these amounts are either applied to subsequent orders or are refunded.

Note 9. Other Liabilities

Other liabilities consist of funds collected in advance from the program participants and unearned for indirect expenses (overhead) associated with the administration of the program. The unearned funds are available for obligation upon receipt of the advance. The advances are accompanied by an order profile from the participating institution. If a program participant cancels an order, these amounts are immediately recognized as revenue and are not refunded.

Note 10. Intra-governmental Activities

The financial activities of CAPRF interact with and depend on the services of the U.S. Air Force (for military postal service postage) and the Department of State for administrative support. The Department of State's International Cooperative Administrative Support Services (ICASS) system is used to allocate costs to the Library's six overseas field offices.

Note 11. Earned Revenues

Revenues are recognized as earned based on (1) actual expenses incurred for materials, binding, and shipping; and (2) CAPRF overhead applied according to the overhead rate applicable for each field office. CAPRF overhead rates are updated each year according to an overhead model consistent with the concept of full cost described in SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government." The driver for CAPRF overhead rates is the direct cost of materials.

Note 12. Library Overhead Costs Included in Program Costs and Imputed Financing Sources

Certain Library overhead costs were included in the program costs for each field office. In compiling CAPRF's fiscal year 1999 financial statements, the Library allocated Library-wide overhead costs to the Revolving Fund Programs using the direct method of allocating service department costs. The two types of Library-wide overhead costs are costs associated with the Financial Services Directorate, and Integrated Support Services. These overhead costs were further allocated to the six field offices of CAPRF using a rational and systematic allocation base. The total amount of overhead allocated over the six field offices was \$191,659. Of this amount, \$105,384 was charged to the field offices through the Library's administrative working funds. A corresponding imputed financing source for \$86,275 was recognized for the unreimbursed portion of the allocated Library overhead.

Note 13. Budgetary Resources Obligated for Undelivered Orders at September 30, 1999

Budgetary resources obligated for undelivered orders at September 30, 1999, for each of the six field offices are as follows:

Jakarta, Indonesia	\$ 38,072
Nairobi, Kenya	6,268
Cairo, Egypt	23,526
Rio de Janeiro, Brazil	85,787
New Delhi, India	183,307
Islamabad, Pakistan	<u>70,326</u>
Total	<u>\$407,286</u>

Note 14. Total Cost and Earned Revenue by Budget Functional Classification

A. Total Cost by Functional Classification

<u>Function Classification</u>	<u>Amount</u>
Education, Training, Employment and Social Services	<u>\$2,298,249</u>

B. Total Earned Revenue by Budget Functional Classification

<u>Function Classification</u>	<u>Amount</u>
Education, Training, Employment and Social Services	<u>\$1,866,710</u>

Note 15. Total Cost By Program Activity

Cooperative Acquisitions Program:

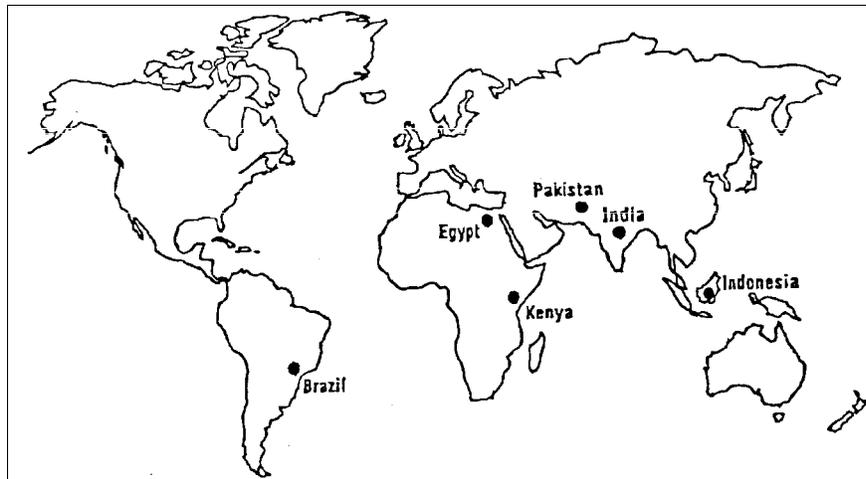
Intragovernmental Costs	\$533,702
Public:	
Start-up Costs	129,728
Other Costs	<u>1,634,819</u>
Total Program Costs	<u>\$2,298,249</u>

Note 16. Schedule of Financing

Resources that Fund Net Cost Of Operations:	
Budgetary:	
Obligations incurred, new	\$2,547,428
Less: spending authority from receipts and adjustments	2,660,043
Net budgetary resources used to finance activities	(112,615)
Financing imputed for cost subsidies	86,275
Total Resources used to fund net cost of operations	(\$26,340)
Resources Used But Not part of Net Cost of Operations:	
Increase in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	(\$31,297)
Decrease in revenue collected in advance as offsetting collection	514,174
Costs capitalized on the balance sheet	(37,413)
Total resources used not part of the net cost of operations	445,464
Costs That Do Not Require Resources	
Depreciation and amortization	12,415
Net Cost of Operations	\$431,539

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL SCHEDULES



COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Supplemental Schedule of Program Costs
For the Fiscal Year Ended September 30, 1999

Net Costs (Production Costs) by Program Area:	Program Segment Field Office Totals
Jakarta, Indonesia:	
Intragovernmental	\$ 118,122
Public	261,929
Subtotal Program Costs	380,051
Nairobi, Kenya:	
Intragovernmental	91,987
Public	104,830
Subtotal Program Costs	196,817
Cairo, Egypt:	
Intragovernmental	98,391
Public	294,504
Subtotal Program Costs	392,895
Rio de Janeiro, Brazil:	
Intragovernmental	60,838
Public	116,604
Subtotal Program Costs	177,442
New Delhi, India:	
Intragovernmental	81,413
Public	810,127
Subtotal Program Costs	891,540
Islamabad, Pakistan:	
Intragovernmental	82,951
Public	176,553
Subtotal Program Costs	259,504
Totals:	
Intragovernmental	533,702
Public	1,764,547
Total Program Costs	\$ 2,298,249

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND
Supplemental Schedule of Participants by State
For the Fiscal Year Ended September 30, 1999

Arizona

Arizona State University
University of Arizona

California

Hoover Institute
Ligmincha Institute
Los Angeles Public Library
Stanford University
Tibetan Language Institute
U.C., Berkeley
U.C., Los Angeles
U.C., San Diego
U.C., Santa Barbara
U.C., Santa Cruz
University of Southern California

Connecticut

Yale University

District of Columbia

Department of the Treasury
Georgetown University
Johns Hopkins University

Florida

Sky Dancer Press
University of Florida

Georgia

Emory University
University of Georgia

Hawaii

University of Hawaii

Illinois

Center for Research Libraries
Northern Illinois University
Northwestern University
University of Chicago
University of Illinois

Indiana

Earlham College
Indiana University
University of Notre Dame

Iowa

University of Iowa

Kansas

University of Kansas

Louisiana

Tulane University

Maryland

National Agricultural Library
National Library of Medicine
University of Maryland

Massachusetts

Boston Public Library
Boston University
Harvard University

Michigan

Detroit Public Library
Michigan State University
University of Michigan

Minnesota

University of Minnesota

Missouri

St. Louis University
Washington University

New Jersey

Princeton University

New Mexico

University of New Mexico

New York

Columbia University
Cornell University
Institute for Advanced Studies of World Religions
New York Public Library
New York University
Open Society Institute
St. Lawrence University
Skidmore University
SUNY, Binghamton
SUNY, Purchase
Syracuse University

North Carolina

Duke University
North Carolina State University
University of North Carolina

Ohio

Cleveland Public Library
Ohio State University
Ohio University

Oregon

Portland State University
University of Oregon

Pennsylvania

La Roche College
Pennsylvania State University
Temple University
University of Pennsylvania
University of Pittsburgh

Rhode Island

Brown University

Tennessee

University of Tennessee
Vanderbilt University

Texas

University of Texas

Utah

Brigham Young University
University of Utah

Virginia

University of Virginia

Washington

University of Washington
Western Washington University

Wisconsin

University of Wisconsin

Non-U.S. Libraries**Canada**

McGill University (Québec)
University of British Columbia
University of Toronto (Ontario)

Other Foreign Libraries

American University, Cairo (Egypt)
Arab League (Egypt)
Ibero-Amerikanisches Institut (Germany)
Institute for Southeast Asian Studies
(Singapore)
Institute of Commonwealth Studies
(U.K.)
National Diet Library (Japan)
National Library of Australia
State Library of South Africa
United Arab Emirates University
(U.A.E.)
University of Essex (U.K.)
University of Glasgow (U.K.)



Independent Auditor's Report

To the Inspector General,
Library of Congress, and
Cooperative Acquisitions Program Revolving Fund

We have audited the accompanying balance sheet of the Cooperative Acquisitions Program Revolving Fund (CAPRF) as of September 30, 1999, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended. These financial statements are the responsibility of CAPRF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin 98-08, "*Audit Requirements for Federal Financial Statements*," as amended. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAPRF at September 30, 1999, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued reports dated March 31, 2000 on our consideration of CAPRF's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in *Management's Discussion and Analysis* (MD&A) of CAPRF is not a required part of the

basic financial statements. We assessed whether this information (supplemental schedule and MD&A) is materially consistent with the information, and the manner of its presentation, in CAPRF's financial statements. However, we did not audit any of the aforementioned information and express no opinion on it.

Clifton Sunderson L.L.C.

Greenbelt, Maryland
March 31, 2000



Independent Auditor's Report on Compliance with Laws and Regulations

To the Inspector General,
The Library of Congress, and
The Cooperative Acquisitions Program Revolving Fund

We have audited the financial statements of the Cooperative Acquisitions Program Revolving Fund (CAPRF) as of and for the year ended September 30, 1999, and have issued our report thereon dated March 31, 2000. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 98-08, "*Audit Requirements for Federal Financial Statements*," as amended.

The management of CAPRF is responsible for complying with laws and regulations applicable to CAPRF. As part of obtaining reasonable assurance about whether CAPRF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 98-08, as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to CAPRF.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed the following instance of noncompliance with the laws and regulations described in the preceding paragraph that are required to be reported under *Government Auditing Standards* and OMB Bulletin 98-08, as amended.

- The audited financial statements and related reports for CAPRF were not prepared and submitted to Congress by March 31, 2000. Title 2, Section 182 requires an annual audit report of CAPRF to be submitted to Congress not later than March 31 of each year for the preceding fiscal year.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of CAPRF, the Library of Congress Office of the Inspector General, the management of the Library of Congress, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties. We caution that noncompliance may occur and not be detected by the tests performed and that such testing may not be sufficient for other purposes.

Clifton Sunderson L.L.C.

Greenbelt, Maryland

March 31, 2000



Independent Auditor's Report on Internal Controls

To the Inspector General
Library of Congress, and
The Cooperative Acquisitions Program Revolving Fund

We have audited the financial statements of the Cooperative Acquisitions Program Revolving Fund (CAPRF) as of and for the year ended September 30, 1999, and have issued our report thereon dated March 31, 2000. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 98-08, "*Audit Requirements for Federal Financial Statements*," as amended.

In planning and performing our audit, we considered CAPRF's internal control over financial reporting by obtaining an understanding of CAPRF's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives in OMB 98-08, as amended. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect CAPRF's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted certain matters, discussed in the following paragraphs, involving the internal control and its operation that we consider to be reportable conditions. However, none of the reportable conditions is believed to be a material weakness.

REPORTABLE CONDITIONS

1. PARTICIPANT LIABILITY BALANCE RECONCILIATION AND RECORD KEEPING

Issues surrounding the participant balances which impacted management's ability to reconcile and report the liability due participants on a timely basis are as follows:

Completing Timely and Accurate Reconciliations at September 30, 1999 - Reconciliations of program participants' balances were not submitted and accurately reconciled within the time frames as required by Financial Statement Directive (FSD) 97-6. The final adjustments and reconciliations of ending participant balances were not completed until February 2000.

Financial Statement Directive (FSD) 97-6 "Guidelines for Financial System Reconciliations", was issued and effective on September 1, 1997. This directive required that the reconciliation report be due by the 15th day of the third month following each accounting period (e.g., the September 30th report due on December 15th). Timely preparation of financial statements depends upon timely and accurate completion of the required reconciliations.

Issuance of a Status of Participant Account Balance - CAPRF did not provide its participants with a status of their balances on a timely basis. Sound internal controls dictate that participant balances be maintained, as well as distributed to the participants, in an effort to resolve any disagreements on ending balances or other activity during the year.

Access by Field Offices to Information for Required Reconciliations - All field offices did not have direct access to reports available from the general ledger. These field offices had difficulty reconciling because they had to rely on e-mails and faxes of general ledger reports. All offices with telecommunications "behind the firewall" are taking advantage of access to FFS, assuming time differences allow.

Providing all field offices access to the general ledger reporting system, would allow the field offices to generate numerous reports, aiding the reconciliation process.

Negative Participant Balances - At September 30, 1999, twenty participants in CAPRF had negative balances totaling \$24,550. Amounts were collected subsequent to year-end. However, as of March 28, 2000, \$3,843 in negative balances were outstanding. Deposits should be received from participants in advance of obligating funds.

The participant balances for direct costs were monitored by the field offices using spreadsheets and IODA, a PC-based data base system. These systems did not prevent the obligations of funds in excess of the participants' existing balances. There is an increased risk for uncollectible funds from participants when direct costs are incurred prior to receiving payments of deposits from the participants.

Recommendations:

We recommend the following:

- Develop procedures to insure timely performance of required quarterly reconciliations of program participants' accounts.
- Prepare and send a Status of Participant Account on a quarterly basis to each participant. The Status of Participant Account should include the beginning balance, payments processed, costs incurred, unliquidated obligations, and the ending balance for materials, binding, shipping and air mail.
- We recommend that African/Asian Acquisitions & Overseas Operations Division (AFA-OVOP) continue to seek alternative secure telecommunication connections for the other offices.
- Establish an internal control system of reviewing the participants' balances on a regular basis to determine if the balances are sufficient to cover expected orders of materials and other direct costs.

2. TIMELY SUBMISSION OF FINANCIAL STATEMENTS

The financial statements for CAPRF were not prepared and submitted to Congress by March 31. Title 2, section 182 that establishes CAPRF requires an audited annual report to be submitted not later than March 31 of each year for the preceding fiscal year. Fiscal year ending September 30, 1999, was the second year the revolving fund was established. Additional time was required in order to prepare the financial statements, in part due to the conditions noted above.

Recommendation:

- We recommend that CAPRF establish internal control procedures, including those recommended above to assist in the timely preparation and submission of financial statements.

3. REVIEW ADEQUACY OF COST RECOVERY MODEL AND RESERVE

CAPRF lacked a system to look at the results of the procedures over a period of time to determine their adequacy in recovering the full costs of the program.

CAPRF used several systems to set the fees, record revenue and analyze annual activity. The indirect and overhead cost recovery was based on a percentage of materials as determined by the Overseas Operations Participant Cost Recovery Model which was prepared annually. The indirect cost activity was compared to the indirect revenue fees annually, but this data was not incorporated into the Overseas Operations Participant Cost Recovery Model.

For the first year of operation, 1998, all funds collected for indirect costs in prior years of operation in the gift funds, in the amount of \$1,384,163, were considered start-up capital authorized in Public Law 105-55. As of September 30, 1999, there was a cumulative net loss of \$261,828. Included in this cumulative net loss are one-time charges pertaining to the start-up of CAPRF of \$129,728.

Recommendation:

- We recommend that AFA-OVOP develop a methodology for incorporating the recoverable portion of the cumulative net losses of CAPRF, which amount to \$132,100 at September 30, 1999. In addition, AFA-OVOP should also develop a methodology for analyzing the adequacy of the reserve.

In addition to the reportable conditions described above, we noted certain matters involving internal control and its operations that we reported to the management of CAPRF in a separate letter dated March 31, 2000.

The conditions discussed above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 1999 financial statements, and this report does not affect our report dated March 31, 2000, on these financial statements.

Relevant comments from CAPRF's management responsible for addressing these internal control matters are provided as an attachment to this report.

This report is intended for the information of the management of CAPRF, the Library of Congress Office of the Inspector General, the management of the Library of Congress, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Sunderson L.L.C.

Greenbelt, Maryland
March 31, 2000